

**Factors Influencing Formation and Development of Small Co-operatives
The Case of Dodoma Municipality**

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Abstract

This study sought to determine factors which small co-operative entrepreneurs had to consider in the process of establishing their businesses. In particular, the study aimed at establishing whether or not these factors were critical for establishing viable and sustainable co-operative business enterprises in Tanzania. In the course of pursuing the above objectives, the study also identified barriers to business success in the study area which could provide lessons to other co-operative enterprises elsewhere. Consequently, the researcher investigated the availability and effectiveness of support services which were necessary for the promotion and formation of viable and sustainable small cooperative business enterprises. The study area was Dodoma Municipality.

Two main hypotheses were behind this study:

- The formation of small co-operative business enterprises in Tanzania was strongly influenced by the social, economic and policy factors at the levels of enterprises and Government; and
- The viability assessment was not taken seriously at the initial stage of the establishment of small co-operative business enterprises.

The data was obtained mainly through a field survey and documentary reviews. The survey was undertaken during March, April and May 1997 in Dodoma Municipality. The survey involved personal interviews — interviewing sampled members of co-operative organisations (both ordinary members and members of managing committees). Also, government officials in the departments responsible for the promotion of small business enterprises as well as officials from support institutions (especially financial institutions) were interviewed.

Although the questionnaire was the major instrument for data collection, participant Observation technique was also regularly used to learn from participants about what they do

or have done as compared to what they said they do or did. This particular technique, therefore, was useful in cross-checking information obtained through interviews. Also, documentary sources of information were used to access data from government offices. Prior to this study, records had shown that in Dodoma Municipality, the registered co-operatives included 61 consumer co-operatives, 6 industrial co-operatives and 6 service co-operatives.

From each of those sub-groups, a selection of societies was done by the researcher following the advice of Co-operative Officers and the record of existing co-operative and pre-cooperative organisations. During this process, it later became evident that, indeed, only 8 registered cooperatives were still active. The remaining 65 had already ceased to operate. Likewise, 17 pre-cooperative groups were recorded to be active. Simple random sampling was used to arrive at the final sample. Out of the 8 registered cooperatives, 3 were selected and visited, and out of the 17 pre-cooperatives, 14 were selected and visited. The major guiding assumption was that all co-operative and pre-cooperative organisations had similar characteristics and operated under similar environment.

Given the foregoing constraints and challenges, the study recommended the following:

- The business community in the study area (Dodoma Municipality) should be encouraged by the Government to work in partnership in the promotion and development of the informal sector in which the small co-operative business enterprises originated.
- The Municipal Authorities should make efforts to involve women in various business activities through co-operative groups.
- The Municipal Authorities should include in their municipal site plans, areas with basic infrastructures designated for small businesses development.
- In collaboration with other organisations, the Municipal Authorities should establish centres which should be able to offer consultancy advice and information about possible business opportunities.
- The Government should prepare and ensure implementation of appropriate Small Enterprise Development Policy.
- Small Enterprises Investment Centres should be established to facilitate new investments by identifying opportunities for investors, doing pre-investment

promotions, monitoring and cutting through the bureaucratic obstacles that hinder small business investments, promotions and development.

- Deliberate efforts must be made to improve access of small business enterprises to credit.

Although finally the study was completed, it was not without limitations and drawbacks. Some of these included the following:

- Much time was spent on tracing the locations of the co-operative enterprises so that questionnaires could be distributed and interviews conducted. Almost all of the enterprises had no addresses; and
- Some interviewees were sometimes reluctant to respond or even to accept the questionnaires. The interviewer had to spend a lot of time convincing the interviewees to be confident when giving information. This was mainly due to the common perception (and belief) among many small business entrepreneurs that such interviews often ended with empty promises.